

2007 Emerging Issues Forum

JIM LAMENZO

Actuary
PERAC

Panel One: The National Pension Crisis

Maintain the Budget

Maintain The Budget

Jim Lamenzo
PERAC Emerging Issues Forum
June 26, 2007

Why Maintain The Budget?

- Allow systems to weather storms
- Flexibility
- Always harder to increase (than decrease) the budget

Optimism - 1999

"We are going to earn
15% every year."

Optimism – Early 2002

"Well, we have had two bad years
in a row, we can't have a third."

Impact of 2000-2002 Investment Returns

Many boards extended schedules

- Flexibility

Some boards could not extend

- Already on minimum schedule
- Appropriation increased – some significantly

Effect of 2000-2002 investment losses now complete

Minimum Funding Schedule

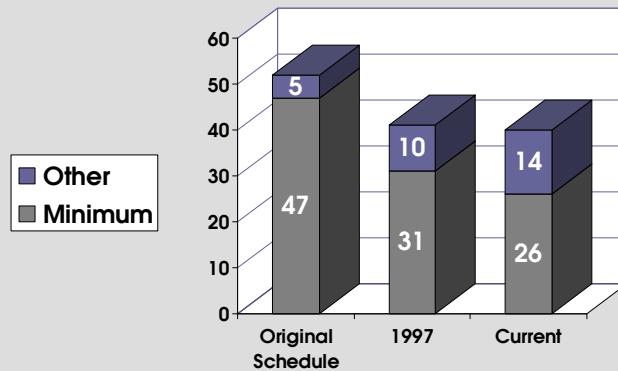
4.5% annual increasing amortization of
Unfunded Liability to 2028

8 boards always adopted minimum

12 boards essentially adopted minimum*

* 3.5% increasing schedule or greater
2026 or later

Number of Funding Schedules to 2028



Getting Into Trouble *Quabbin Retirement System*

Fiscal Year	Actual Appropriation	
1997	295	
1998	305	
1999 COLA Change	290	
2000	265	
2001	275	
2002 Investment Losses First Recognized	315	
2003	330	
2004	350	
2005	380	
2006	400	
2007	415	

Getting Into Trouble

Quabbin Retirement System

Fiscal Year	Actual Appropriation	Appropriation If Budget Maintained
1997	295	295
1998	305	305
1999 COLA Change	290	320
2000	265	335
2001	275	350
2002 Investment Losses First Recognized	315	370
2003	330	385
2004	350	405
2005	380	425
2006	400	445
2007	415	465

Getting Into Trouble

Quabbin Retirement System

Fiscal Year	Additional Appropriation	Cumulative
1997	0	0
1998	0	0
1999 COLA Change	30	30
2000	70	100
2001	75	175
2002 Investment Losses First Recognized	55	230
2003	55	285
2004	55	340
2005	45	385
2006	45	430
2007	50	480

Quabbin Retirement System

Estimated Valuation Results

January 1, 2007

	Actual	If Budget Maintained
Unfunded Liability	6,050	5,400
Funded Ratio	60%	73%

CAN'T EMPHASIZE ENOUGH...

Maintain The Budget
Maintain The Budget
Maintain The Budget

Notes

Notes

